

A Work Project, presented as part of the requirements for the Award of a Masters degree in Management from the NOVA – School of Business and Economics.

## **Startup Corporate Accelerator: Vodafone Power Lab**

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A Project carried out on the Entrepreneurship course, under the supervision of:

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8 January 2016

## **Abstract**

Startups have been drastically changing the way business is done. Big corporates are aware that startups are a source of disruptive products and services and are developing corporate acceleration programs to have first hand access to the solutions they are developing. The aim of this report is to analyze Vodafone's corporate accelerator – Vodafone Power Lab – comparing it with two of best corporates accelerators in the market and to provide a recommendation proposal on how to effectively run the acceleration program.

**Key words:** Startups, Corporate Accelerator, Vodafone Power Lab

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## **1. Introduction**

### **1.1. Context and Objectives**

The following report is based on the six months practical experience of a Direct Research Internship in Vodafone Portugal as a Community Manager of its corporate accelerator- Vodafone Power Lab Accelerator.

The internship also required being part of the organization of other initiatives of Vodafone in the Entrepreneurship and Innovation area such as Big Smart Cities and Tv Innovation Challenge.

The main aim of this report is to analyze Vodafone's entrepreneurship and innovation program, in particular its corporate accelerator – Vodafone Power Lab (VPL) - and provide a recommendation proposal on how to effectively run the acceleration program.

### **1.2 The Vodafone Power Lab program**

Vodafone Power Lab is a program of Vodafone Portugal (from now on designated as Vodafone) that promotes innovation and entrepreneurship. It is design to support the development of innovative projects in the digital and telecommunication sector.

Since 2009, Vodafone has been sponsoring challenges with the purpose to reach technological innovation. Across the eighteen initiatives promoted by Vodafone Portugal during the last six years, more than eight hundred applications were submitted and ten thousand people were engaged in the program. These initiatives led to the acceleration of eighty-three projects supported by Vodafone. At least fifty new jobs were created and the project raised €3,5 M of investment.

Vodafone Power Lab is currently a program that comprises three different initiatives across the country: BIG smart Cities, Tv Innovation Challenge and the corporate accelerator VPL. Each of these initiatives will be explained with more detail further in the report.

### **1.3. Methodology**

For the purpose of this report a thorough research and best practices benchmark was conducted during the internship, with an additional set of interviews, namely with Vodafone's responsible manager for the entrepreneurship & innovation department, the mentors of the VPL, an investor of one of VPL's startup and six of the startups that are currently enrolled in the program. Additionally, a focus group with all the startups and entrepreneurs was conducted not only to gather insights but also to brainstorm and collect ideas about incubation, acceleration and the role the corporate support Vodafone can have.

The internship as Community Manager of VPL can be summarized into the following stages:

- 1- Assessment of what VPL is and how was it functioning
- 2- Development of the acceleration program
- 3- Selection of teams to participate in the program
- 4- Acceleration of the startups
- 5- Evaluation of the first 6 months
- 6- Strategic recommendation for the future

Findings from research and internship led to the analysis and recommendation that will be presented in this report. It follows not only literature and studies reviews but is also a

compilation of inputs given by startups in the open feedback session that took place after the first cycle of acceleration was completed.

## 2. Startup Acceleration

First and foremost, it's important to understand the concept of Startup acceleration, explore some examples and focus in particular to what is known by a corporate accelerator. In this section a definition of an acceleration program is proposed and the differences between an accelerator and an incubator are pointed out.

### 2.1 Startup Acceleration Concept

#### **acceleration**

[ak-sel-uh-rey-shuhn]

noun

1. the act of accelerating; increase of speed or velocity
2. a change in velocity
3. the time rate change of velocity with respect to magnitude or direction; the derivative of velocity with respect to time

Entrepreneurship, innovation and startup are words taking over the business world. People are chasing new life styles, and, along that, comes the will to develop innovative services and disruptive products. Creating a startup is now a very usual activity for the young talents that just left college.

Startups are known as being companies in their early stages of its life cycle that develop innovative products or services, under very limited resources and that try to sustainably scale their business fast, with the additional help of venture capital. Eric Ries<sup>1</sup> defines a startup as “*a human institution designed to deliver a new product or service under conditions of extreme uncertainty*”.

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<sup>1</sup>Eric Ries is a Silicon Valley entrepreneur, pioneer of the Lean-Startup movement.

Having an idea is easy; successfully turning that idea into a business model is not. In 2005, YCombinator<sup>2</sup> decided to help entrepreneurs do that, providing them a support system that helps young founders understand how to build and grow a company. The first startup accelerator was born.

Currently Y Combinator is privately backed and has funded over five hundred ventures. Its acceleration program is focused on web and mobile applications. It has duration of three months and includes events, speakers, office hours, networking, legal and administrative support and a Demo Day. Y Combinator invests \$120K in the each startup in return for 7% of equity, when it started it only invested \$14-20 K.

Since Y Combinator was born, acceleration has evolved into more complex programs, able to support startups in very different ways. Still, this is a very recent concept in the business world and therefore there is not enough data or consolidated reviews to set guidelines or best practices to run an acceleration program. The following explanation of what an acceleration program should be, is based on the reports from acceleration summits.

## **2.2 Acceleration programs**

The strong entrepreneurial culture that is emerging from a few years back has demanded that support systems of the ecosystem were developed. Following the business incubator concept, accelerators for startups emerged as simple programs to help young founders understand how to build and grow a company.

Data from Fundacity's European Accelerator report from 2014 states that there are at least one hundred startup accelerators in Europe and that the number tends to keep growing. Though there is still not enough consolidated data to perform a thorough

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<sup>2</sup> Y Combinator is a USA first seed accelerator, born in March 2005.

analysis of this industry, since everything only started 10 years ago, with the launch of the first accelerator - YCombinator.

Conceptually, acceleration is preparing startups for growth via short, high intensity programs (Numa, 2015). According to Alex Iskold, Managing Director of TechStars<sup>3</sup>, one of the best accelerators in the world, “Accelerators emerged as seed or pre-seed stage form of venture capital. The current model is to help the company with product market fit, growth, and financing, in exchange for equity.”

Though not all accelerators work this way. Pre acceleration and acceleration programs may not require anything in return for what they are providing. They do not ask for equity and do not invest in the projects they support. There is no right way to do acceleration. Models are still being tested and developed.

However there are already a number of common characteristics to this innovative method of developing startups that enable an attempt of definition. An acceleration program implies.<sup>4</sup>

- An application process that is open to all, yet highly competitive.
- Provision of pre-seed investment (around £10k to £50k), usually in exchange for equity.
- A focus on small teams not individual founders.
- Time-limited support, usually between three to six months, comprising programmed events and intensive mentoring.
- Cohorts or ‘classes’ of startups rather than individual companies.

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<sup>3</sup>Techstars is a US and UK accelerator

<sup>4</sup>Source: Bound, K. and Miller, P. (2011) “The Startup Factories: The rise of accelerator programmes to support new technology ventures. “London: NESTA



Like accelerators, incubators also offer entrepreneurs good opportunities for startup development. Though sometimes the terms get used interchangeably, they do not mean the same thing and it is important to distinct the differences between them. Accelerators are meant to be focused on growing and scaling a business in a short time period, while incubators tend to be places where startups stay for a longer period of time to work on the development of their product and their strategies. The type of support startups get in accelerators is much more intense than in an incubator. Progress must happen fast, specific deadlines are part of the acceleration program and mentoring is done in a more continuous and frequent way, while in incubators the support and mentoring are available they do not make part of a structured program developed to promote fast growth. A startup incubator does not operate on a set schedule.

### **2.3 Corporate Accelerators**

Technology startups all around the world are changing the way we live drastically. Changes have been adopted rapidly and that is changing the way business is done. In this sense, startups socio-economic contribution is evident in the impact they create on consumers. That is catching big corporates attention.

Corporates are now focusing on startups since they believe innovation does not always emerge from inside. They are partnering with accelerators, or even creating their own, in order to be closer to startups and become part of the entrepreneurship ecosystem.

The main differences of corporate accelerator when comparing to a typical one is that they are sponsored to more than 50% by one or several corporate entities which core

business is not work with startups and the acceleration program's objectives are derived from the sponsoring corporation's interest<sup>5</sup>.

Microsoft (USA) and Telefónica (Spain) are among the first corporate accelerators, launched in 2010/2011. Since then, programs have been growing exponentially. Currently there is a list of sixty-six corporate accelerators spread around the world.<sup>6</sup>

Telefónica, a Spanish telecommunication company, is one of the firsts and most experienced firms to run a corporate accelerator. Wyara - Telefonica's corporate accelerator - provides an acceleration program, in 12 different countries, that offers office-space, mentoring and access to a 350 M customer database. They invest \$70K in each startup in return for 5-10% equity. All together they have already invest \$74M in 100 startups they support. Graduated startups have been successful in their second rounds of investment. Wyara is a noteworthy corporate accelerator that is leading the inspiration of other corporate acceleration programs.

### **3. Vodafone Corporate Accelerator**

#### **3.1. Vodafone Portugal**

Vodafone is a global mobile operator with a network of more than 400 million customers, operating in 30 countries, the largest mobile telecommunication enterprise in the world. Since it made its first mobile call in the UK, on the first day of 1985, Vodafone is committed to deliver and inspire innovation. Along the 30 years of business, the telecommunication company has brought sustainable solutions to improve people's lives: in 1991, it enabled the world's first international roaming call; in 2002

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<sup>5</sup>Source: Heinemann, F. "Corporate Accelerators: A Study on Prevalence, Sponsorship, and Strategy ". 2015

<sup>6</sup>Source: Corporate Accelerator DB

Vodafone provided mobile communication with internet access on the move and recently introduced a new safe way for sending and receiving money using mobile phone, in the emerging markets.

When Vodafone, as Telecel, joined Portugal, in 1992, it changed drastically the telecommunication sector and was the main reason for the development of the cellular Portuguese market. Since that time, Vodafone is actively looking for ways to innovative in order to provide to its customers the most competitive products and services. Vodafone is considered the national leader in innovation of the sector and has more than 1/3 of the total Portuguese customers of mobile services has its clients, 6,2 M<sup>7</sup>. Pioneer in the 4G technology, Vodafone Portugal has proven to be on the front line of launching avant-garde solutions, one of the goals of the corporation strategy. To reach this goal Vodafone continuously invests in new technologies and in programs that foster entrepreneurship and innovation as a path to get closer to those new technologies.

### **3.2. Vodafone Portugal Entrepreneurship and Innovation programs**

Vodafone, number one company of “Change the World” Forbes ranking, is truly doing an effort to ignite innovation in the world. Vodafone Portugal is a good example of how a company can put their tools to action to create impact and promote entrepreneurship and innovation in the country.

This high ranked brand is investing in programs to support entrepreneurship and innovation. There is awareness that great opportunities for disruption in the telecom sector do not always emerge internally. That is why Vodafone Portugal has increasingly been supporting and challenging people through different initiatives to develop

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<sup>7</sup> Source: Vodafone Website, 2015

innovation projects that can improve technology evolution and as a consequence the lives of its users. Entrepreneurship is a key activity for this process. In order to support it Vodafone Portugal has implemented Vodafone Power Lab program.

Vodafone Power Lab is a program that currently gathers three initiatives in the area of entrepreneurship & innovation: **BIG Smart Cities**, **TV Innovation Challenge** and **Vodafone Power Lab Accelerator (VPL)**.

**BIG smart cities** is an initiative that promotes the development of new technologies that can improve the life quality of who lives, works or is visiting the city, turning it into a more smart city. Big smart cities is a competition and a pre-acceleration program that lasts 8 weeks and puts together teams from all the country. The winner is awarded with 10.000 € and with an invitation to join VPL. Since 2013 there has three annual editions of the challenge. More than five hundred projects applied and sixty projects participated in the pre-acceleration program. The winners of 2013 and 2014 editions have successfully launched their product in the market and raised a significant amount of investment. 2015 winner is currently in the process of launching the product.

**TV Innovation Challenge** is a competition that pretends to promote the development of new applications or services that improve the TV experience for the user. Vodafone aims with this contest to reach innovative solutions to differentiate from the competition and provide a better service to all. The prize for the winner is 15.000€ and the chance to do business contracts with Vodafone. One of the finalists of 2015 challenge has developed a TV solution that is already being implement by Vodafone and will be available for Vodafone costumers, in 2016.

**Vodafone Power Lab Accelerator (VPL)** is a corporate accelerator that supports tech startups in Lisbon (partnership with Labs Lisboa) and in Porto (together with Escola de Startups from UPTEC<sup>8</sup>). This is a corporate accelerator that differentiates itself from other programs in Portugal because it does not require anything in exchange for the program it provides, other than the effort to succeed. VPL does not invest financially in its startups, does not take equity and does not charge any fee from startups. The program has duration of six months, although it can be extended up to one year. VPL offers mentoring, networking activities, training, office-space and access to a very powerful network of contacts and a very large database of customers as an important component of the support in go to market.

### 3.3. Vodafone Power Lab Accelerator

*“...in the telecom industry we realized that although we spent so much time, money, effort and brains on innovation, we didn’t manage to build the type of disruptive innovation that was coming from startups like Skype (at first), Facebook, WhatsApp. We wanted to find a tool or a way to participate in the startup movement...”*<sup>9</sup>

Vodafone Portugal desires to foster entrepreneurship and support startups aiming to develop disruptive solutions that might be relevant to its own business. During this process, Vodafone benefits from the fact of having its brand associated with innovation, increasing goodwill value and influencing buyers.

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<sup>8</sup> Parque de ciência e Tecnologia da Universidade do Porto

<sup>9</sup> Axel Menneking, Head of International Program Management Hub:raum (Deutsche Telekom corporate accelerator).

Vodafone invests in acceleration programs for two main purposes: relating the brand to innovation and having faster access to innovation in technology trends than its competitors.

Developing support programs that enhance the emergence of innovative technological solutions is decisive in Vodafone's brand positioning as being more innovative. The main advantage for the brand to be considered as the most innovative in the telecommunications sector is a key factor in influencing the consumer's choice at the moment of selecting a telecommunication service provider.

As equally important is the fact that connecting and gaining proximity with the entrepreneurship ecosystem is beneficial for Vodafone, as it allows the brand to be closer to the most avant-garde solutions before its competitors, and implementing solutions that are able to leverage its core business.

Having an accelerator supported by Vodafone, a well-known brand, one of the top 10 brands in the world, brings confidence to the agents that are involved in the entrepreneurial ecosystem.

Investors looking for deal flow<sup>10</sup> feel reassured that the quality of startups supported by Vodafone is high since the company itself is perceived as having high standards of quality. In this sense, investors perceive the Vodafone accelerator as a platform to scout talent and to potentially build a pipeline for investments. In addition, venture capitalists benefit from investing in these startups since it provides extensive support and information, including access to strategic resources, partners and relevant networks.

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<sup>10</sup>Deal-flow: rate at which business proposals and investment pitches are being received by investors.

Thus, a startup that is involved in this ecosystem has a higher probability of success since networking is one of the most important tools for growth.

Having a supporting partner as Vodafone is a great benefit for a tech startup, even if its core business is not directly related to the telecommunications sector. The network of suppliers, clients and partners that a partner like Vodafone can give access to, have more value than the amount of money that most of accelerators invest in startups.

Being Vodafone's acceleration program tailored to the needs of early stage tech startups, this corporate has a great competitive advantage , since it employs experts in this subject and very easily puts them to the reach of startups. Mentors of the program are key factor for success and Vodafone guarantees access to top human resources.

The intensity and perks of the program is an asset treasured by startups since it will set the rhythm of their growth. VPL provides the cohort structure to encourage peer learning and the tools for a startup to really develop their idea, for free. Startups, which are known for bootstrapping, consider this offer very valuable. But even more important than the money they save is the support they get and the stamp of being part of the program as a validation of their business.

A startup that is involved in the ecosystem in any kind of way has a higher probability of success insofar as networking is one of the most important tools for growth.

Helping startups is indirectly helping society to improve. Not only the innovation coming out of the projects improves the life quality of citizens, as well as supporting startups is a way to promote self-employment and to generate the creation of jobs.

## **4. Vodafone Power Lab analysis**

### **4.1. Appraisal framework**

In order to analyze any corporate acceleration program model an appraisal framework was developed. It consists of an assessment of six core dimensions of an accelerator. To each dimension corresponds a list of five criteria used to assess the degree of satisfaction of that dimension, on a scale from 1 (very poor) to 10 (excellent).

In this way, it is possible to establish a common ground to evaluate accelerators around the world, creating a quantitative method of appreciation that allows the elimination of asymmetric information.

The criteria of the evaluation framework of a corporate accelerator are grouped in the following dimensions:



**Table 1 – Accelerator Appraisal Framework**

| DIMENSIONS    | CRITERIA                 |   |
|---------------|--------------------------|---|
| STRATEGY      | Mission/Vision           | The Accelerator Mission/Vision are clearly defined and shared                                     |
|               | Degree of specialization | The Accelerator degree of verticalization is well defined   |
|               | Geographical scope       | The Accelerator scope and reach is global/international   |
|               | Sector Focus             | The Accelerator focus on a specific sector  |
|               | Startup Stage Focus      | The Accelerator focus on a specific Stage (idea, early stage, startup, scale up)                  |
| PROGRAM       | Funding                  | The Accelerator funds (vs equity) or facilitates access to investors                              |
|               | Curriculum               | The Accelerator provides curriculum / education for the startups (workshops, bootcamps, etc)      |
|               | Space                    | The Accelerator provides good coworking space conditions  |
|               | Length                   | The Accelerator has a duration suited for the startups needs                                      |
|               | Virtual Acceleration     | The Accelerator provides virtual acceleration as well   |
| TEAM          | Resident team            | The Accelerator has a competent resident team   |
|               | Support team             | The Accelerator has a support team (tutors, mentors-in-residence, coaches,...)                    |
|               | Mentors                  | The Accelerator has a powerful network of visiting mentors  |
|               | Partners team            | The Accelerator has a network of service-partners that support startups (accountants, legal, etc) |
|               | Corporate involvement    | The Accelerator corporate partner is highly involved and committed                                |
| BENEFITS      | Program package          | The Accelerator provides a relevant offer package to the startups                                 |
|               | Perks Package            | The Accelerator facilitates an interesting and useful perks package                               |
|               | Corporate Leverages      | The Accelerator leverages and unblocks corporate contacts   |
|               | Networking               | The Accelerator promotes networking with the ecosystem  |
|               | Community                | The Accelerator has built a community and a specific culture                                      |
| COMMUNICATION | Awareness                | The Accelerator is known in the ecosystem   |
|               | Positioning              | The Accelerator's strategy and positioning is clear for the ecosystem                             |
|               | Credibility              | The Accelerator is credible for startups and in the ecosystem                                     |
|               | Recognition              | The Accelerator is recognized in the ecosystem  |
|               | Interest                 | The Accelerator is in the target startups shortlist of interest                                   |
| PERFORMANCE   | #applicants              | The Accelerator applicants number is above the objectives   |
|               | #startups                | The Accelerator occupancy rate is above the objectives  |
|               | Funding                  | The Accelerator has raised investment for many of their startups                                  |
|               | Mentors engagement       | The Accelerator's mentors are engaged and involved  |
|               | Satisfaction             | The Accelerator's startups are satisfied  |

## 4.2. Analysis and Interpretation

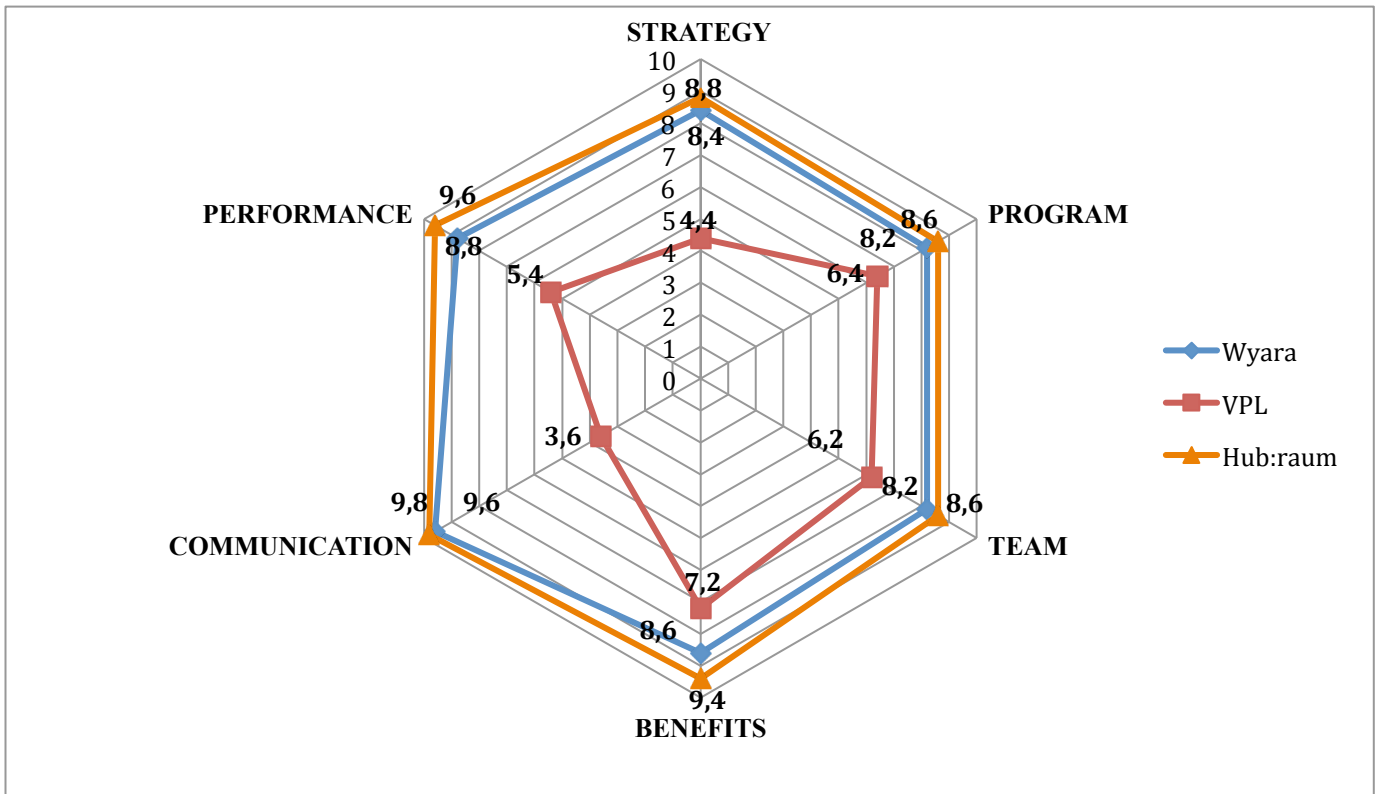
To gather information to set a score for each of the criteria, several stakeholders involved in the program were asked to fulfill the appraisal framework: founders of the startups that are enrolled, Vodafone's manager responsible for Entrepreneurship & Innovation, mentors of the program and VPL management team. The input provided was then compiled into an average of each criteria. The rate attributed to each of the six dimensions is a result of the average of the criteria.

For a better interpretation of the results found and understanding the positioning of VPL in the market, the analysis was conducted under benchmarking with two of world's best-recognized corporate accelerators, Hub:raum and Wyara.

Hub:raum, Deutsche Telekom accelerator, was voted the best corporate accelerator of 2015 by the Corporate Startup Summit. It offers a five-week complete program designed to help early-stage startups to develop a product, bring it to the market due to corporate support and exposure to investors. Wyara, as previously described in section 2.2., is Telefonica's corporate accelerator. It is highly recognized in the market and has successfully completed fifty-two cycles of acceleration.

The results, compared under the same appraisal framework, can be summarized in Figure 1:

**Figure 1 - Accelerators Comparison**



To better understand what the data found represents, a detailed analysis of each core dimensions follows:

### Strategy

VPL strategy is one of the dimensions with the largest space for improvements. The fact it is not choosing specific technologies to support and does not have a clear mission/vision, makes it very difficult to efficiently communicate their strategy. This fact affects the overall perception of the acceleration program in a depreciative way.

The strategic focus of an accelerator will determine what type of startups it attracts and how is the format to support them. The most common examples of strategic examples

are<sup>11</sup>: ventured back accelerators - that focus on creating deal flow for investments; government backed accelerators – designed for socio-economic development and corporate-sponsored accelerators – that support an ecosystem around a core technology.

VPL would fit on the later model, so as Hub:raum and Wyara. When comparing scores isolated, VPL is very behind of the two best world accelerators. Though, that does not mean that VPL strategy model is not accurate. It means that Hub:raum and Wyara have prioritized defining how they implement their strategy and clearly sharing it, while VPL has not yet defined its strategy and how to communicate its implementation.

## Program

VPL offers an acceleration program suitable for the needs of the startups that it supports. Still its curricular activities are not the most enriched. VLP is not investing financially on the startups and is not efficiently facilitating the access to investors.

The curricular offer and funding structure are two of the main criteria startups take in account when looking for an acceleration partner. In the market, it is possible to find a wide mix of combined offer, from high-intensity weekly programs that do not provide funding, to three-month program that invest in startups but do-not offer any office space. Corporate accelerators usually do not invest in startups; instead provide them access to potential customers.<sup>12</sup>

Wyara and Hub:raum acceleration programs are well ranked, not only because they invest in the startups, but also due to the fact they offer startups access to a very large database of their customers, spread all over the world. VPL has not yet leveraged as

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<sup>11</sup> <sup>12</sup> Source: Nesta. 2014. “Startups Accelerator programmes”

much has it could Vodafone's contacts database to promote the exclusivity of its acceleration program.

## Team

Human resources are a quality factor of VPL. Vodafone has access to high quality technology experts and experienced mentors as part of its support team. The resident team is constantly looking to improve the program to better satisfy the needs of the startups.

A committed team, devoted to make success happen is what is necessary to make an accelerator rise. Mentors are one of the most valuable assets of any accelerator's team. There are different formats to engage them. Resident mentors, visiting mentors, mentors that provide office hours and virtual mentoring are some examples of how mentoring structure can be.

Hub:raum has over fifty mentors and experts available and follows Techstars' mentorship model, focused on one-to-one sessions. Wyara has also a large experienced team of mentors and coaches, which guide the startups in their growth path, through office hours and peer mentoring. A common factor of this two and to other successful accelerators is the fact that mentors are committed to the program and are very active in their participation.

Although VPL has brought in excellent human resources to make part of its team, the challenge is to assure they are committed. The current mentorship model of monthly sessions with a group of mentors providing feedback at the same time, is not helping in this sense, as this structure does not promote a close relationship between startups and mentors, like in the case of Hub:raum.

## Benefits

VPL program package is very satisfactory and improves startups daily life. The partnerships and perks available for the ones enrolled help them do tasks faster and better. The Network activities are not yet exceeding expectations but on the other side, startups are developing a sense of community by participating in events together.

Vodafone, Deuteshen Telekom and Telefonica are three big players in their sector. The commercial contacts they are able to promote are a valuable asset that is exclusive.

Hub:raum and Wyara attract startups that are interested in getting to the contacts of the corporate network. Promoting this bridge between customers/suppliers and startups is adding value to the program in an unique way.

Being innovation leader, Vodafone has access to the most avant-garde technology networks, it must enforce the possibility of putting it at startups reach, such as Hub:raum and Wyara are doing.

## Communication

Communication is VPL's dimension that needs most improvement. VPL's positioning and strategy are not known in the ecosystem. This causes a lack of credibility of the accelerator, implying a difficult time attracting talent.

Startups look at well-recognized acceleration programs as validators of their business models. Startups are proud and feel prestige if they can get to the shortlist of the accelerators. There are not pre-defined strategies to get the name of the accelerator into the ecosystem, though promoting the program in important entrepreneurship events and guaranteeing that startups are active promoters of the program they are in, in networking events is fundamental to start a reputation.

Paralleling VPL results with the ones from Hub:raum and Wyara can be misleading, since VPL has only completed two acceleration cycles, while the more experienced accelerators, like Wyara, have completed over fifty two. An accelerator that is well established in the ecosystem for a longer time has greater chances of spreading the word and being known by agents of the entrepreneurial ecosystem.

Wyara and Hub:raum have an excellent reputation since entrepreneurs clearly understand what the accelerators are delivering. Hub:raum and Wayra are scoring high results overall, due to how well they are communicating. Good perception of the program is what validates it. VPL has not yet found its positioning and defined a clear strategy to communicate it, as a consequence startups are not aware that a good program is available.

## **Performance**

VPL offers a curricular program that is adding value in product development and in helping startups define their go-to-market strategies. Nevertheless there is still a large space for growth. As mentioned previously, the quality of the mentors is a key indicator of success. Some mentors of VPL are not as engaged and committed to the program as they could be and that causes the perception that they are less good mentors. Occupancy rates are low because startups are not applying to the program, as most of the startups do not know of its existence. Raising investment for the startups is one of the biggest fragilities of the program. VPL is not leveraging its position to promote access to investment as it could.

Measuring and evaluating performance is the accelerator's way to measure their impact. There is not yet an established framework to do that and commonly accelerators are not

keeping track of the data, still there are common metrics used, being two of the most important are survival rate and follow-on investment raised by startups.

VPL is underperforming as compared to Hub:raum and Wyara, not only due fact that it has much less number of acceleration cycles completed, but also due to the fact that the above mentioned dimensions are not aligned to one strategy.

## **5. Vodafone Power Lab: recommendations**

According to the appraisal framework structure, used in VPL analysis, the proposal for a recommendation strategy for running the Vodafone's corporate accelerator can be found below:

### **Strategy**

The strategy redefinition recommended is based on a new vision and mission.

VPL Vision: Vodafone Power Lab aims to be the best smart cities accelerator that empowers talented startups to scale up their innovative solutions to improve the quality of life in the cities.

VPL Mission: Support startups and entrepreneurs in their critical early-stage to increase their odds of success by providing coworking space, community, mentoring and Vodafone's corporate network.

To achieve its aim, VPL must provide the best tools for growth and development. In addition, it must be relevant to the entrepreneurial ecosystem, offering an intensive and supportive acceleration program and access to a powerful network.



The teams invited to join the program must be technological and should be on an early stage of development. However those characteristics are not sufficient to narrow teams to a specific business core.

To better help teams to achieve their goals, mentoring and tools provided should be suited to the specific needs of the teams. If teams share the same business core and are at the same stage of development it is easier to identify their needs and to suit perks and a curricular program that adds value and works efficiently.

That is the reason why VPL should focus in supporting teams which projects are designed in the purpose of Smart Cities area. Vodafone is a corporate with relevant impact in this area and can leverage its position to promote access to a credible network. Being known as the accelerator for Smart Cities projects is a differentiator factor that will attract new talent and is capable of scaling the accelerator internationally.

## **Program**

VPL unique program offer will depend mostly of the type of support it provides and on the facilitation of raising investment.

The acceleration program of VPL has a duration of six months, which is suitable for the startups needs, but should be more intense. Mentoring sessions and educational activities must happen in a more frequent way. VPL's curricular program should be more complete, by increasing the number of workshops with the specific purpose of tackling technical issues that concern startups. Bringing experts to participate in informal activities, hosted by VPL, is also a way to offer a better curricular experience for the entrepreneurs.

VPL partnership with Labs Lisboa and UPTEC , allow the accelerator to provide the teams a coworking office space, in the partner facilities. Although space conditions are good, they can be a challenged for brand recognition, as the ecosystem does not distinguish the accelerator's brand form the partner's brand. As the structure of VPL grows, it should find independent facilities, to promote awareness of brand.

VPL does not have finance available for startups, as it is not part of its strategy to take equity of startups. Nevertheless, VPL should promote contact with possible investors. Partnering with a Venture Capital firm is a possibility that VPL should explore, in the sense to offer startups the opportunity of getting funding. An alternative solution should also be implemented: hosting investor's events in VPL, like Demo Days, to attract more investment and to create awareness of the value of VLP's startups.

## Team

As mentioned previously, the uniqueness of value proposition is directly dependent on the quality of support provided. Quality of the mentors and quality of the resident team is a key factor in the perception of the support, considering that startups value support more than money.

VPL can provide access to large number of technological experts that work for Vodafone or with it. Those experts should commit to help the teams and settle office hours to receive them. Another type of mentoring is tutoring. VPL should reinforce the benefit of matching one tutor per team as to increase proximity and to assure that someone guides strategic decisions with knowledge and experience. Visiting mentors will also increase the value of the program. These mentors should be screened according to the value they can add on their area of expertise.

Corporate involvement is one of the attracting factors for startups, which want to be close to the partner than can promote their business. Vodafone must be more engaged to help the startups and must be more active in leveraging and participating in events to promote VPL.

## **Benefits**

Developing partnerships with big corporations like Microsoft, Amazon, IBM and Google has a enormous impact in the daily lives of startups that go through VPL acceleration program since it facilitates a lot of processes in their product development stages, though partnering with smaller companies, like Liquid -a company that does app analytics- has the same importance for startups, that have very special needs that can only be satisfied by these new type of companies. That is why VPL must be active on the search for the best innovative companies and promote partnerships with them, enabling exclusive perks for its startups. VPL should also be looking for partnering with other startup accelerators around the world, as a way to enrich the program. Exchanging startups, staff and methodologies improve the quality of the program through implementation of new ideas and promoting network expansion.

Networking, as has been previously referred, is a key activity for startups. Creating access to Vodafone's suppliers, employers and customers network is an exclusive perk of VPL. Technological startups value this asset and can leverage this bridge to powerful contacts to create and promote their business,

Promoting and hosting events in-house, like pitch day and demo day, is one of the ways VPL has to bring investors and important agents of the ecosystem to get to know the program and the project. Networking in events organized by other entities of the

ecosystem is very important to get the name of the program recognized. Having founders that are experts in what they do and placing them in the specialized events sharing know-how promotes not only the brand of VPL but also the projects they have created. People in these networking events are the ones startup want to reach and this is a way to get to them.

Staying in close touch to Alumni and invite them to be part of VPL events can also be valuable asset for active teams. Startups aim going global and alumni can help scaling geographically.

## Communication

*“Choosing the startups to incubate is one of the most important factors in the success of any accelerator.”*<sup>13</sup>

Competition in this sector is increasing; therefore the program offered must be compelling enough to stand out. Having a strong brand is a critical factor to this issue. Building it, starts by choosing the best startups to support, the ones that have a higher probability of success and show good results. This will attract good investors, which will then attract strong applicants, turning it into a virtuous cycle.

VPL must be a present and a relevant stakeholder of the ecosystem. For that it needs greater exposure through increased participation in entrepreneurial events and to invest in digital brand marketing, which facilitates a clear communication of VPL mission and strategy.

VPL should be scouting for strong teams through partnerships with universities and entrepreneurial associations and should create an exclusive pipeline of good applicants.

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<sup>13</sup> (Nesta, 2014)

The best lead to strong applications is BIG smart cities, a pre-acceleration program, managed by the same team of VPL, which has the same mission as VPL. Best in class startups should be awarded with an invitation to join VPL. The previous eight-week acceleration program guarantees those startups have a higher probability of success. Complementing this direct source of applicants, VPL should have two calls per year and should homogenize its selection process. A good practice is to follow Techstars London process: 1-online application; 2- review from VPL core teams; 3- expert review and final step face to-face interview with the team.

## **Performance**

Measuring impact is the only way to realize if the accelerator is doing a good job. VPL framework for measuring the performance of the program should take in account the goals that the program wants to achieve. Survival rate of ventures and investment raised are two examples of important measures for evaluating performance. Keeping track of these numbers is a hard task since those startups are not part of the program anymore. To fight this challenge, VPL must create an up to date database and be in close touch with VPL's alumni.

Collecting data and assessing it, will able stakeholders and managers of the program to better understand the impact and effectiveness of the program and to adapt it into a better one.

## **6. Final conclusions and considerations**

Vodafone Power Lab corporate accelerator recent entry in the ecosystem had given proof that it is relevant for entrepreneurs. VPL has successfully supported startups launching their products. A great example of this achievement is the case of Inviita- a tourism app that plans a tour according to the user's mood- that has launched its product in 2015 and had their app featured in apple store, while being accelerated by VPL.

VPL first acceleration cycles are providing experience to learn with. Taking into account the analysis presented in this report, VPL is expected to adapt its acceleration program and turning it into one of the bests. The analysis gives a clear image of what dimensions are more fragile and causing VPL to underperform its competition: Strategy and Communication. VPL needs to prioritize the changes it will implement and those two dimensions should be the focus of its efforts. Creating a solid strategy and promoting the brand awareness will turn decision-making about the other four dimensions an easier process.

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